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September 7, 2018

VIA HAND-DELIVERY

Florene Davidson
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case 16447

Re: Application of Strata Production Company to Revoke the Injection Authority Granted Under SWD-1591-A for the Forty Niner Ridge SWD Well No. 1, Operated by Mewbourne Oil Company in Eddy County, New Mexico: Motion for Interim Order and proposed form of Order

Dear Ms. Davidson:

Enclosed is the original and one copy of a Motion for Interim Order for filing in the above referenced matter. A proposed form of order is also provided for the Director's consideration. We will also email to you a Word version of the proposed order.

Thank you for your attention to this matter.

Sincerely,

Sharon T. Shaheen

Sharon T. Shaheen

STS/lt

Enclosure

cc: Jim Bruce, Esq., *Attorney for Mewbourne Oil Company*

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STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE APPLICATION OF
STRATA PRODUCTION COMPANY TO
REVOKE THE INJECTION AUTHORITY
GRANTED UNDER SWD-1591-A FOR THE
FORTY NINER RIDGE SWD WELL NO. 1,
OPERATED BY MEWBOURNE OIL COMPANY
IN EDDY COUNTY, NEW MEXICO

Case No. 16447

MOTION FOR INTERIM ORDER

Pursuant to Division Rules 19.15.4.16(C) and 19.15.4.23(B) NMAC, Strata Production Company (Strata), through counsel, Montgomery & Andrews, P.A., hereby applies for an interim order temporarily suspending the following permits issued by the Oil Conservation Division:

A. Administrative Order SWD-1591-A, issued June 4, 2018, granting injection authority to Mewbourne Oil Company (Mewbourne) to dispose of oil field produced water in the Forty Niner Ridge SWD Well No. 1 (API 30-015-44950), and

B. Approved Application for Permit to Drill, Re-Enter, Deepen, Plugback, or Add a Zone (Form C-102) for the Forty Niner Ridge SWD Well No. 1 (API 30-015-44950), dated May 8, 2018, and approved May 9, 2018.

In further support of the motion, Strata states as follows:

1. On October 28, 2015, the Division issued Administrative Order SWD-1591, authorizing Mewbourne to utilize the Forty Niner Ridge SWD Well No. 1, then designated as "API 30-015-Pending," for disposal of oil field produced water. Following such approval, Mewbourne submitted its Application for Permit to Drill, Re-Enter, Deepen, Plugback, or Add a Zone (Form C-102) for the Forty Niner Ridge SWD Well No. 1 (API 30-015-44950) to the Division on May 8, 2018. The Division approved the application on May 9, 2018. Then, on application from Mewbourne, the Division rescinded SWD-1591 and issued SWD-1591-A, on

June 4, 2018, granting Mewbourne injection authority in the Forty Niner Ridge SWD Well No. 1, at a different location, for disposal of oil field produced water into the Devonian formation at depths of approximately 15545 feet to approximately 16500 feet.

2. On September 6, 2018, Strata filed its Application to Revoke the Injection Authority Granted by SWD-1591-A (Strata's Application) in the instant matter because Mewbourne failed to provide notice to Strata, which is an operator within the Area of Review and an affected person, as explained further below and in Strata's Application.

3. This Motion for Interim Order seeks temporary suspension of Mewbourne's injection authority and concomitant drilling authority for Forty Niner Ridge SWD Well No. 1.

4. Division Rule 19.15.26.8(B)(2) NMAC requires an applicant for an injection permit to furnish notice, by certified mail, of its application for a salt water disposal permit "to each leasehold operator or other affected person within any tract wholly or partially contained within one-half mile of the well."

5. As described in Strata's Application, Strata is entitled to notice prior to issuance of injection authority in Forty Niner Ridge SWD Well No. 1 as a "leasehold operator" due to its operation of the Forty Niner Ridge Unit No. 006 SWD (API 30-015-33637) within the half-mile Area of Review. Strata is also entitled to notice as an "affected person" due to its status as a division designated operator and lessee of mineral interests within the Area of Review surrounding Forty Niner Ridge SWD Well No. 1. To wit, Strata is the operator and majority owner of the mineral rights from the surface to the top of the Bone Springs formation in the Forty Niner Ridge Unit, which includes all of Sections 9, 10 (except NW/4NW/4), 15, 16, 21, and 22 in Township 23 South, Range 30 East, NMPM, in Eddy County. Moreover, Strata has mineral interests in the deeper formations, including but not limited to the Devonian formation, throughout the Forty Niner Ridge Unit and specifically within the Area of Review. Mewbourne

knew of Strata's mineral interests prior to the filing of its applications for injection authority, but never provide notice to Strata.

6. Pursuant to Division Rule 19.15.4.16(C) NMAC, the director has authority to "rule on motions that are necessary or appropriate for disposition prior to a hearing on the merits." Exercise of such authority is appropriate to stay Division orders, on a motion by an affected party, "to prevent waste, protect correlative rights, protect public health or the environment or prevent gross negative consequences to an affected party." *See* 19.15.4.23(B) NMAC.

7. Upon information and belief, Mewbourne has not yet begun drilling or injection operations in Forty Niner Ridge SWD Well No. 1. In a letter, dated May 14, 2018, from Tim Harrington of Mewbourne to the Division, which is attached to Administrative Order SWD-1591-A, Mewbourne represented to the division that it did not intend to begin drilling until 2019. Thus, issuance of an interim order suspending such authority will preserve the status quo.

8. Preservation of the status quo protects Strata's correlative mineral rights and contractual rights.

9. Preservation of the status quo prevents waste because the contemplated injection operations in Forty Niner Ridge SWD Well No. 1 would occur within the "Fortyniner Drilling Island" as part of "Designated Potash Area of Eddy and Lea Counties" as defined in the Department of the Interior's Secretarial Order No. 3324. Mewbourne and Strata, as co-operators within this island, must confer regarding utilization of the limited surface area for development in the most efficient manner.

10. Moreover, on August 3, 2018, the Division applied to amend rules of the Commission for permitting of wells for underground injection by amending certain sections of Rule 19.15.26 NMAC, statewide. The application bears Case No. 16377 before the Commission.

The contemplated changes would affect notice requirements. Further, upon information and belief, the Commission is presently engaged in drafting guidance with respect to administration of injection wells. The status quo should be preserved pending amendments to the applicable Rules, the issuance of guidance, and other further action by the Division with respect to administration of injection operations.

11. Thus, the requested interim relief will be in the interests of conservation, protection of the environment, and the prevention of economic waste and will avoid the accrual of gross negative consequences to Strata.

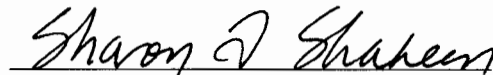
12. Convening of a hearing on a pre-hearing motion is discretionary, but not required under Rule 19.15.4.16(C) NMAC. Counsel for Strata can be available for a pre-hearing conference, if requested.

13. A proposed form of Order is attached hereto.

WHEREFORE, Strata Production Company requests that the Commission enter an Order granting the interim relief requested in the Motion and providing such other relief as the Commission deems appropriate.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.



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STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE APPLICATION OF
STRATA PRODUCTION COMPANY TO
REVOKE THE INJECTION AUTHORITY
GRANTED UNDER SWD-1591-A FOR THE
FORTY NINER RIDGE SWD WELL NO. 1,
OPERATED BY MEWBOURNE OIL COMPANY
IN EDDY COUNTY, NEW MEXICO

Case No. _____

Order No. _____

ORDER OF THE COMMISSION

This matter comes before the Commission on the Motion for Interim Order filed on behalf of Strata Production Company (Strata) pursuant to Rule 19.15.4.16 NMAC.

Now, on this date, _____, 2018, the Director, on consideration of the Motion and being otherwise duly advised,

FINDS THAT:

(1) The Director has jurisdiction pursuant to Rule 19.15.4.16(C) to rule on prehearing motions that are appropriate for disposition prior to a hearing on the merits of an Application.

(2) The Director has jurisdiction to rescind or stay an order of the Oil Conservation Division pursuant to Rule 19.15.4.23(B) NMAC.

(3) Strata filed an Application to Revoke the Injection Authority Granted Under SWD-1591-A for the Forty Niner Ridge SWD Well No. 1, Operated by Mewbourne Oil Company in Eddy County on September 6, 2018.

(4) The subject matter of the Application and hearing is the rescission of the Oil Conservation Division's (Division) Administrative Order SWD-1591-A, issued June 4, 2018. Administrative Order SWD-1591-A permits Mewbourne Oil Company (Mewbourne) to utilize the Forty Niner Ridge SWD Well No. 1 (API 30-015-44950), located 1300 feet from the South line and 205 feet from the East line, Unit letter P of Section 22, Township 23 South, Range 30 East, NMPM, Eddy County, New Mexico, for disposal of oil field produced water into the Devonian formation at depths of approximately 15545 feet to approximately 16500 feet.

(5) The Application is set for hearing before the Commission on December 13, 2018.

(6) Mewbourne failed to provide notice to Strata of Mewbourne's applications, which applications resulted in the issuance of Administrative Order SWD-1591-A.

(7) By its Motion, Strata seeks interim relief temporarily suspending (a) Administrative Order 1591-A and (b) concomitant drilling authority for Forty Niner Ridge SWD Well No. 1 under an approved Application for Permit to Drill, Re-Enter, Deepen, Plugback, or Add a Zone (Form C-102) for the Forty Niner Ridge SWD Well No. 1 (API 30-015-44950), dated May 8, 2018, and approved May 9, 2018.

(8) The Division has a pending Application, in Case No. 16377 before the Commission, to amend the rule of the Commission for permitting of wells for underground injection by amending certain sections of Rule 19.15.26 NMAC, statewide. The contemplated amendment and any subsequent guidance would affect the Commission's interpretation of the necessary notice requirements for approval of injection authority

(9) Without interim action by the Commission, there is a reasonable possibility that Mewbourne's operations in the Forty Niner Ridge SWD Well No. 1, pursuant to the injection authority under Administrative Order SWD-1591-A and any concomitant drilling authority, will result in harm to Strata's correlative mineral rights and operating rights within the half mile Area of Review for the Forty Niner Ridge SWD Well No. 1.

(10) Interim action by the Commission will preserve the status quo and will be in the interests of conservation, protection of the environment, and the prevention of economic waste and will avoid the accrual of gross negative consequences.

IT IS THEREFORE ORDERED THAT:

(A) Administrative Order SWD-1591-A, issued June 4, 2018, is temporarily rescinded pending resolution of Case No. 16377, issuance of guidance and further action by the Division with respect to administration of injection operations, a hearing on the merits of the Application in the instant matter, and issuance of an order thereon.

(B) Drilling authority for Forty Niner Ridge SWD Well No. 1 (API 30-015-44950) pursuant to the Application for Permit to Drill, Re-Enter, Deepen, Plugback, or Add a Zone (Form C-102) for the Forty Niner Ridge SWD Well No. 1 (API 30-015-44950), dated May 8, 2018, and approved May 9, 2018, is temporarily rescinded pending resolution of Case No. 16377, issuance of guidance and further action by the Division with respect to administration of injection operations, a hearing on the merits of the Application in the instant matter, and issuance of an order thereon.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Director

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